

AOL slow speed subscribers to high speed services, then the combined companies will see improved financial performance.

The Estimates: In developing a range for the conversion of current AOL subscribers to high speed Time Warner cable services, we first assumed that about 20% of Time Warner high speed users—about 3% of TW Cable subs will already be taking AOL, and therefore are already included in the base case 15% penetration estimate. We did not change the EBITDA “keep” on a per data subscriber basis of \$6.

At the low end, we estimated that AOL could convert about 640,000 or just under 10% of the estimated AOL subscribers in Time Warner territory by 2002. This would represent a one-third increase in the total number of high speed TW subscribers, and deliver about \$45 million in additional EBITDA at \$6 per month per sub to the combined company. How this is allocated—to AOL or to TW cable—is immaterial for this discussion, but clearly would make a big difference in discussions with AT&T over the future of TWE. For reference, if we are correct and 20% of Time Warner high speed subscribers already take AOL, then, overall, AOL would penetrate 30% of TW Cable data ready subscribers in 2002.

At the high end, we estimated that fully half of AOL subscribers come to believe that Time Warner cable high speed service is important for them. With 20% already estimated to be on a high speed connection, an additional 30% of AOL subscribers would be converted in TW territory, delivering some \$145 million in additional EBITDA. This would represent a doubling of our current estimates for Time Warner high speed data subscribers, and put a total of 3.4 of 6.7 million AOL on high speed in TW territory.

The Negotiating Future: If AOL and Time Warner Cable are successful in converting AOL subs to high speed service while they keep their AOL memberships, then AOL/TimeWarner will have a good benchmark to use when working to get other cable companies to enter into similar arrangements. By showing that high speed data penetration can improve using AOL, both the cable companies and AOL/TW stand to benefit, however the splits going forward remain to be negotiated.

Our long term estimates have included the assumption that AOL eventually reaches about half of the high speed cable and telephone DSL subscribers, so there is little potential upside for high speed data penetration by AOL on the AOL side of the income statement.

Exhibit 1 provides details of the potential impact of AOL marketing on TW high speed penetration. It is a snapshot of 2002. Exhibit 2 shows the to-date results of our project to identify potential cost savings, cost avoidance, and new revenues made possible as a result of the AOL/Time Warner merger.

Exhibit 1: Marketing TW Cable High Speed Data Service to AOL Subs

	Low	High
Current Estimate of Time Warner High Speed Ready Subs in 2002	12.7	12.7
Current Estimate of High Speed Penetration	15%	15%
Current Annual High Speed Subs	1.91	1.9
Monthly EBITDA per High Speed Subscriber	\$6.02	\$6.02
Current High Speed EBITDA Estimate	137.7	137.7
Improvement in Penetration Using AOL Marketing	33%	107%
New Data Subs Added	0.64	2.03
New Estimate of High Speed Subs	2.54	3.94
New Estimate of High Speed Penetration	20%	31%
New EBITDA Estimate of High Speed Subscribers	183.6	284.6
EBITDA Improvement Due to AOL High Speed Marketing	46	147
Memo: AOL Subscribers in TW Territory	6.7	6.7
Estimated Current Pct of TW Customers Already Using AOL	20%	20%
Estimated Current AOL Customers Using TW High Speed	1.3	1.3
Add'l TW High Speed Customers Marketed by AOL	0.6	2.0
Total AOL Customers Using High Speed	2.0	3.4
Total Pct of AOL Customers Using High Speed in TWX Territory	30%	50%

Exhibit 2: To Date Summary of Ongoing Merger Related Savings and Additional Revenues

Number	Area	Savings or Add'l Revenue	Low (\$mil)	High (\$mil)	Date of SCB Call
1	Heavy AOL Users Connect in TWX Territory	Savings	50	100	22-Feb-00
2	Cross Selling of AOL Svce/TWX Magazines	Add'l Rev	100	280	23-Feb-00
3	Personnel & Op Efficiencies in TWX Web Svcs	Savings	101	143	24-Feb-00
4	Cross Selling of AOL/TWX Advertising	Add'l	90	207	25-Feb-00
5	Music Flop Avoidance	Savings	28	68	28-Feb-00
6	AOL Markets TW Cable High Speed Service	Add'l	46	147	29-Feb-00
Total	Total Savings, Avoidance, and Add'l Revenues		416	945	

About this project: In our combined estimates for AOL and Time Warner we have yet to incorporate new revenues or cost savings that potentially result from the deal. The reason is that we were burned by company assurances of early synergies in several previous media mega-mergers, specifically Disney/CapCities and Viacom/Paramount/Blockbuster. As a result, we are taking a different, and slower approach to recognizing improved revenues and cost savings that result from the AOL/Time Warner

merger. As ideas surface we will try to quantify the potential improvements within a range. We will then keep a running total of the ideas until individual approaches begin to look certain enough to include in our company estimates. Instead of waiting for one major call to wrap up a lot of these possible areas, we will be publishing them as they emerge and appear feasible. Some will be discussed by the company, and we will incorporate those where appropriate. We will initiate others ideas, if we have them. The ideas will not be in any particular order, but we will use a minimum of \$25 million improvement as a high end requirement.

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Pursuant to Rule 425 under the Securities Act of 1933
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The following communications include certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are naturally subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein. The forward-looking statements herein include statements about the proposed Time Warner Inc./America Online, Inc. merger. The following factors, among others, could cause actual results to differ materially from those described herein: failure of the Time Warner or America Online stockholders to approve the merger; the risk that the Time Warner and America Online businesses will not be integrated successfully; the costs related to the merger; inability to obtain, or meet conditions imposed for, governmental approvals for the merger; and other economic, business, competitive and/or regulatory factors affecting America Online's and Time Warner's businesses generally. More detailed information about those factors is set forth in filings by AOL Time Warner Inc., America Online and Time Warner with the Securities and Exchange Commission, including the most recent quarterly report on Form 10-Q and current reports on Form 8-K. None of AOL Time Warner, America Online or Time Warner is under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

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Set forth below are selected "talking points" that may be used from time to time by representatives of America Online, Inc. and Time Warner Inc. in discussing the proposed merger of America Online and Time Warner and the combined company, AOL Time Warner Inc.

Q. What will the combined company be called?

A. AOL Time Warner Inc.

Q. Where will the company be headquartered?

A. AOL Time Warner's corporate headquarters and principal executive offices will be in New York City, with additional executive offices in Dulles, Virginia.

Q. Where will the new company's stock be listed for trading?

A. The common stock will be listed for trading on The New York Stock Exchange under the symbol AOL.

Q. What are some of the strategic advantages that America Online expects to gain from the merger with Time Warner?

A. By combining the leading interactive services and media companies, AOL Time Warner will advance the strategic goals of America Online and Time Warner and will provide the potential for stronger operating and financial results than either company could achieve on its own. America Online's Internet resources will drive the digital transformation of Time Warner's divisions, and Time Warner's resources will advance the development of next-generation broadband AOL Anywhere services, as well as build subscription and advertising and e-commerce growth throughout America Online's brands and products. With leading global brands, cost-efficient infrastructure, technological expertise and a shared vision for the Internet age, the two companies' complementary assets will act as catalysts to accelerate the growth of both subscription and advertising/e-commerce revenues, while also creating whole new business opportunities.

America Online's success has been guided by the principle that mass market consumers seek convenience, ease-of-use and trusted brands in their Internet experience. AOL Time Warner will have an unmatched ability to provide these through a full range of interactive services delivered across current and emerging platforms. The combined company will be able to lead the next wave of Internet growth as

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interactivity extends beyond the personal computer to the television, wireless telephone and personal organizers, as well as other Internet-enabled devices—allowing consumers to access the Internet from anywhere and at any time, and making the interactive experience even more convenient and valuable to them.

Q. How will the merger affect America Online's multiple brand-strategy?

A. America Online believes that combining with Time Warner will dramatically advance America Online's multiple-brand strategy. Time Warner's leading global consumer brands cover the full spectrum of media entertainment and information—reaching from broadcast and cable television to film, music, publishing and the Internet. Together with America Online's family of premier interactive brands, the combined company will have a valuable portfolio of brands to deliver to consumers over multiple platforms.

Q. How will the merger affect America Online's multiple revenue stream strategy?

A. America Online believes the merger will advance America Online's strategy of multiple revenue streams by combining with Time Warner, which has grown its revenues across three major areas that reinforce America Online's: subscriptions, advertising and e-commerce and content. Putting together Time Warner's content properties with America Online's Internet and e-commerce infrastructure, AOL Time Warner will be able to create and distribute e-commerce products and services based on film, cable, broadcast, music, publishing and media properties. Recent successful collaborations to promote "Austin Powers: The Spy Who Shagged Me" with AOL MovieFone and on "You've Got Mail" with Warner Bros. are small examples of what can be achieved in cross-promotion. The merger will expand the opportunities for advertising across platforms and brands, including interactive properties, publishing, cable and broadcast television.

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Q. How will the merger affect America Online's AOL Anywhere strategy?

- A.** America Online believes that combining with Time Warner will advance America Online's utilization of technology to extend and enhance its AOL Anywhere strategy to expand Internet communication, interactivity and convenience to devices beyond the personal computer. Time Warner's cable systems will expand the broadband delivery systems for America Online's interactive services and act as a catalyst for the development of AOL Plus—America Online's next generation multi-media/interactive services—to personal computers. The combination will also further America Online's AOL Anywhere strategy of extending its interactive brands with their hallmark convenience and ease-of-use to new devices through television, wireless telephone and personal organizers as well as other companion devices. The merger will also provide a communications platform that gives AOL Time Warner the capability to offer messaging products and local telephony over cable systems.

Q. What are some of the operating synergies and new business opportunities that America Online believes will benefit AOL Time Warner?

- A.** America Online believes that the combined company will benefit from substantial operating synergies as well as major new business opportunities. The following are representative potential cost synergies and revenue growth opportunities from the combination with Time Warner:
- revenue opportunities and synergies in areas such as advertising by providing companies "one stop" shopping for their online as well as print and broadcast media advertising campaigns;
 - increased subscriber growth through cross promotion and marketing opportunities between Time Warner's brands and content and America Online's brands and interactive services;
 - efficiency in marketing across different platforms and distribution systems, including cable, publishing and interactive services;
 - cost synergies in areas such as technology and network infrastructure, direct mail and interactive marketing, use of "evergreen" billing systems, sales forces and other corporate services; and
 - cost efficiencies in launching and operating interactive extensions of Time Warner's brands.

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Q. What are some of the strategic advantages that Time Warner expects to gain from the merger with America Online?

A. The combination of Time Warner's world-class media brands, subscriber bases and technologically advanced broadband delivery systems with America Online's renowned consumer online brands, subscriber base and extensive Internet infrastructure and expertise will provide AOL Time Warner with strengths and synergies in all its businesses. AOL Time Warner's multiple brands, vast array of content, extensive infrastructure and strong distribution capabilities will provide it with a greater capacity to capitalize on and propel the convergence of media, entertainment and communications than Time Warner (or America Online) alone. There are also strategic benefits of combining Time Warner's broadband infrastructure with America Online's established success in managing consumer migration online. The strategic combination will accelerate the digital transformation of Time Warner by infusing all of Time Warner's businesses with a heightened digital focus.

Q. What are some of the ways in which Time Warner expects the merger to increase the potential for growth?

A. The combination of Time Warner and America Online is expected to strengthen the ability of these companies to generate growth in revenue, earnings before interest, taxes and amortization, or "EBITA," earnings before interest, taxes, depreciation and amortization, or "EBITDA," and cash flow. In particular:

- America Online's extensive Internet infrastructure is expected to provide a new and expanding distribution medium for Time Warner's popular brands, thereby giving its content businesses increased access to the consumer; and
- Time Warner's advanced broadband delivery systems are expected to provide an important distribution platform for America Online's interactive services, which is expected to result in incremental subscriber growth.

In addition:

- in the music business, AOL Time Warner will bring together Time Warner's prestigious labels and roster of established and new artists with America Online's established e-commerce capabilities; and

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in the publishing business, cross-marketing opportunities between Time Warner's prominent brands and America Online's interactive services are expected to provide new opportunities for subscriber growth.

Finally, AOL Time Warner will have enhanced advertising and revenue potential due to its ability to offer promotional packages that include both traditional and online components.

Q. How does Time Warner believe the merger will affect consumers?

A. Time Warner believes that the combination of Time Warner and America Online has the potential to provide increased benefits for consumers. Through the combination of Time Warner's programming capabilities with America Online's Internet capabilities, AOL Time Warner is expected to be able to provide consumers with enhanced access to a broad selection of high quality content and interactive services. In addition, through the cooperative efforts of employees with creative and journalistic talents and employees with technological expertise, AOL Time Warner is expected to offer new and innovative products and services that are particularly suited to interactive media.

Q. How does Time Warner believe that the future of the Internet will be determined?

A. Time Warner believes that the future of the Internet will be determined by companies that are able to take advantage of the distribution channels created by the Internet through providing compelling entertainment and informational content—companies like AOL Time Warner.

Q. What impact does Time Warner expect the merger to have on its financial condition?

A. The combination of Time Warner and America Online is expected to strengthen the financial condition of both Time Warner and America Online.

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Q. How will the merger impact the digital transformation of Time Warner?

- A.** The combination of Time Warner with America Online provides Time Warner with an extensive Internet distribution infrastructure in a relatively brief period of time and cost-effective manner. In addition, the combination of Time Warner and America Online accelerates Time Warner's Internet distribution plan by several years and provides significant cost savings with greater distribution capabilities, opportunities for cross-marketing products and potential to offer consumers new and innovative products than would other potential avenues for exploiting the potential of the Internet.

Q. What is the shared vision for AOL Time Warner?

- A.** The merger of America Online and Time Warner will create the world's first fully integrated, Internet-powered, media and communications company. The Internet is becoming a critical everyday experience in people's lives. AOL Time Warner will be able to inform, entertain and connect consumers in multiple ways over many hours a day using its one-of-a-kind set of brands—in both networks and content.

Q. How will AOL Time Warner create value for its stockholders?

- A.** AOL Time Warner is expected to generate strong growth along several metrics. For example, AOL Time Warner is expected to have a revenue base of approximately \$40 billion in 2001, its first full year of operations. In addition, AOL Time Warner is expected to have EBITDA growth of 30%, resulting in approximately \$11 billion of EBITDA in the first year. Although predictions in fast moving industries such as the ones in which AOL Time Warner will operate are complicated, revenues are expected to grow at a rate between 12% and 15%, the EBITDA growth rate is expected to be in the zone of 25% after the first year and AOL Time Warner's free cash flow is expected to grow at a rate of approximately 50%.

America Online and Time Warner will provide each other's missing pieces, reducing business risk. America Online and Time Warner will act as catalysts on each other's current businesses. For example, Time Warner will provide America Online with broadband capability and branded content. America Online will provide Time Warner with a leading Internet brand that has scale that is based on an economically sound subscription and advertising model.

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Q. How will AOL Time Warner take advantage of opportunities in the market?

A. The Internet is becoming a necessity for mass market consumers, and Internet usage is continuing to increase. America Online's members are now spending 65 minutes a day online, versus 20 minutes a day three years ago. And industry metrics show that today there are over 600 million IMs, versus 37 million IMs three years ago. This tremendous growth in Internet use will serve as an enabler for the creation of major line extensions and the development of whole new businesses.

Convenience is a key component in reaching mass market consumers, as mass market consumers tend to seek convenience in their Internet experience. AOL Time Warner will have an unmatched ability to provide convenience through a full range of interactive services delivered across current and emerging platforms.

As Internet usage increases, branded content will become more important and brands will win the battle for consumer attention.

The established and habitual relationships that both America Online and Time Warner have developed with their consumers will provide the building blocks that are critical for mass marketing. In addition, these relationships will provide a powerful base for AOL Time Warner to use America Online's and Time Warner's existing businesses to create incremental growth and to launch whole new businesses.

Q. What are some of the reasons you expect the combination of America Online and Time Warner to be successful?

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- A. AOL Time Warner will have an array of world-renowned brands that encompass new digital destinations and vibrant franchises with solid customer relationships. The breadth of these brands—a lineup that includes *Time*, *AOL*, *CNN*, *The WB*, *Netscape*, *People*, *Sports Illustrated*, *Digital City*, *Cinemax*, *AOL Moviefone*, *Cartoon Network*, *Spinner*, *AOLCOM*, *Entertainment Weekly*, *Winamp* and *Looney Toons*—will give AOL Time Warner an tremendous portfolio. AOL Time Warner will also have over 112 million subscribers. In addition, based solely on the reach of Time Warner's network programmings (with over 300 million viewers per week) and magazines (which have a weekly audience of approximately 200 million), AOL Time Warner will have a monetizable footprint for a consumer touch (or a consumer relationship) on a monthly basis of approximately 2-1/2 billion. By including a lot of duplication in the numbers, this monetizable footprint provides several approaches—several understandings—of a particular home that AOL Time Warner can use in cross-selling.

AOL Time Warner will have access to broad distribution channels that are multi-platform. In particular, Time Warner's cable systems are expected to serve as an incubator for incremental subscriber growth. By providing an important distribution platform of America Online's interactive services, Time Warner's broadband delivery systems are expected to provide a means of using America Online's existing customer base of over 135 million registered users as a foundation for attracting subscribers to new businesses.

AOL Time Warner will have tremendous scale and financial flexibility and will be able to build on a solid investment-grade balance sheet, substantial cash flow and financial capacity.

AOL Time Warner will be managed by individuals who have already demonstrated themselves to be among the tops in their fields. They have the capability and the experience to create one of the most respected global companies in the world. More importantly, because all mergers are about execution—about people working together to integrate existing businesses and to develop new businesses—through the meetings that have already taken place, employees of both America Online and Time Warner have already indicated that, once America Online and Time Warner are combined, there will be a good "people match" in which all employees work together to expand existing businesses and to develop new businesses.

Like all successful companies of the future, AOL Time Warner is expected to be a completely integrated company, with multi-platforms to take

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advantage of new technologies. As a result, AOL Time Warner will be able to extend the growth of America Online's and Time Warner's existing assets and to develop whole new businesses.

Q. What conditions are there to closing the deal?

- A.** The principal conditions include federal and foreign regulatory approvals and local regulatory approvals for the transfer of Time Warner cable systems as well as approvals of Time Warner's and AOL's stockholders.

Q. Do you foresee any regulatory problems?

- A.** AOL Time Warner doesn't involve the sort of concentration that invites government attention. The Internet can never be controlled by one or two companies, the way television once was. This is the first truly limitless medium in history. Our merger isn't a case of one media company buying another in order to dominate a market. Time Warner doesn't anticipate regulatory challenges.

Q. What percentage of the combined company will the respective shareholders of each company own?

- A.** When complete, America Online's shareholders will own approximately 55% and Time Warner's shareholders will own approximately 45% of the new company.

Q. What are the exchange ratios?

- A.** Under the terms of a definitive merger agreement approved by each company's board of directors, Time Warner and America Online stock will be converted to AOL Time Warner stock at fixed exchange ratios. The Time Warner shareholders will receive 1.5 shares of AOL Time Warner common stock for each share of Time Warner common stock they own. America Online shareholders will receive one share of AOL Time Warner common stock for each share of America Online common stock they own.

Holders of each series of Time Warner convertible preferred stock will receive one share of a substantially similar series of AOL Time Warner convertible preferred stock for each share of Time Warner convertible preferred stock they own.

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Q. What accounting treatment will be given to the transaction?

A. The merger will be accounted for as a purchase transaction and is currently expected to be accretive to America Online's cash earnings per share before the amortization of goodwill.

Q. Will the merger be effected on a tax-free basis to stockholders?

A. Yes.

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AOL Time Warner Inc., together with Time Warner Inc. and America Online, Inc., filed a preliminary joint proxy statement/prospectus regarding the proposed business combination transaction referenced in the foregoing information with the Securities and Exchange Commission. In addition, AOL Time Warner, Time Warner and America Online will prepare and file a definitive joint proxy statement/prospectus and other documents regarding the proposed transaction with the Commission. Investors and security holders are urged to read the definitive joint proxy statement/prospectus, when it becomes available, because it will contain important information. The definitive joint proxy statement/prospectus will be sent to stockholders of Time Warner and America Online seeking their approval of the proposed transaction. Investors and security holders may obtain a free copy of the definitive joint proxy statement/prospectus (when it is available) and other documents filed by AOL Time Warner (as well as by America Online and Time Warner) with the Commission at the Commission's web site at www.sec.gov. The definitive joint proxy statement/prospectus and these other documents may also be obtained for free by America Online stockholders by directing a request to: America Online, Inc., 22000 AOL Way, Dulles, VA 20166, Attention: Investor Relations, telephone: (703) 265-2741, e-mail: AOL_IR@aol.com, and by Time Warner stockholders by directing a request to Time Warner Inc., 75 Rockefeller Plaza, New York, NY 10019, Attention: Shareholder Relations, telephone: (212) 484-6971, e-mail: investrequest@twi.com.

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06:22am EST 10-Jan-00 Corporate Release (Martin, John 212-484-6579) TWX AOL
AOL and Time Warner Merge Creating 1st Internet-Age Media Co. (Part 1 of 2

America Online and Time Warner Will Merge to Create
World's First Internet-Age Media and Communications Company

AOL Time Warner Will Be Premier Global Company
Delivering Branded Information, Entertainment and Communications
Across Rapidly Converging Media Platforms and Changing Technology

Will Provide Far-Reaching Benefits to Consumers
By Speeding Growth of Interactive Medium

Will Accelerate Availability of Broadband Interactive Services
Offering Vast Array of World-Class Content

Will Drive Growth of Advertising and E-Commerce
Across Unmatched Combination of Leading Brands

Companies Also Announce New Marketing,
Commerce, Content and Promotional Agreements

DULLES, Va. and NEW YORK, Jan. 10 -- America Online, Inc. (NYSE: AOL) and Time Warner Inc. (NYSE: TWX) today announced a strategic merger of equals to create the world's first fully integrated media and communications company for the Internet Century in an all-stock combination valued at \$350 billion.

To be named AOL Time Warner Inc. with combined revenues of over \$30 billion, this unique new enterprise will be the premier global company delivering branded information, entertainment and communications services across rapidly converging media platforms.

The merger will combine Time Warner's vast array of world-class media, entertainment and news brands and its technologically advanced broadband delivery systems with America Online's extensive Internet franchises, technology and infrastructure, including the world's premier consumer online brands, the largest community in cyberspace, and unmatched e-commerce capabilities. AOL Time Warner's unparalleled resources of creative and journalistic talent, technology assets and expertise, and management experience will enable the new company to dramatically enhance consumers' access to the broadest selection of high-quality content and interactive services.

By merging the world's leading Internet and media companies, AOL Time Warner will be uniquely positioned to speed the development of the interactive medium and the growth of all its businesses. The new company will provide an important new broadband distribution platform for America Online's interactive services and drive subscriber growth through cross-marketing with Time Warner's pre-eminent brands.

AOL Time Warner's brands will include AOL, Time, CNN, CompuServe, Warner Bros., Netscape, Sports Illustrated, People, HBO, ICQ, AOL Instant Messenger, AOL MovieFone, TBS, TNT, Cartoon Network, Digital City, Warner Music Group, Spinner, Winamp, Fortune, AOL.COM, Entertainment Weekly, and Looney Tunes. In addition to fully integrating its brands into a digital environment and bringing them closer to consumers, AOL Time Warner will have a wealth of

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creative resources to develop products specifically suited to interactive media.

Under the terms of a definitive merger agreement approved by unanimous votes at meetings of each company's board of directors, Time Warner and America Online stock will be converted to AOL Time Warner stock at fixed exchange ratios. The Time Warner shareholders will receive 1.5 shares of AOL Time Warner for each share of Time Warner stock they own. America Online shareholders will receive one share of AOL Time Warner stock for each share of America Online stock they own. The merger will be effected on a tax-free basis to shareholders. When complete, America Online's shareholders will own approximately 55% and Time Warner's shareholders will own approximately 45% of the new company. The stock will be traded under the symbol AOL on the New York Stock Exchange.

The merger will be accounted for as a purchase transaction and is expected to be accretive to America Online's cash earnings per share before the amortization of goodwill. This transaction is subject to certain closing conditions, including regulatory approvals and the approval of America Online and Time Warner shareholders, and is expected to close by the end of the year. Mr. Ted Turner, Vice Chairman of Time Warner, has agreed to vote his Time Warner shares, representing approximately 9% of the company's outstanding common stock, in favor of the merger.

Steve Case, Chairman and Chief Executive Officer of America Online, will become Chairman of the Board of the new company. Gerald M. Levin, Time Warner's Chairman and Chief Executive Officer, will become AOL Time Warner's Chief Executive Officer. As Chairman, Mr. Case will play an active role in helping to build and lead AOL Time Warner, focusing particularly on the technological developments and policy initiatives driving the global expansion of the interactive medium. As Chief Executive Officer, Mr. Levin will set the company's strategy, working closely with Mr. Case, and will oversee the management of the company. Mr. Levin will report to the board consisting of 16 members, with eight appointed by each of the current America Online and Time Warner boards.

Mr. Turner will become Vice Chairman of AOL Time Warner. Time Warner President Richard Parsons and America Online President and Chief Operating Officer Bob Pittman will be co-Chief Operating Officers of AOL Time Warner. J. Michael Kelly, Senior Vice President and Chief Financial Officer of America Online, will become the new company's Chief Financial Officer and Executive Vice President. A four-person integration committee, composed of Messrs. Pittman; Parsons; Kenneth J. Novack, America Online's Vice Chairman; and Richard Bressler, Chairman and Chief Executive Officer of Time Warner Digital Media, has been formed to ensure a smooth and rapid combination of the two companies. The Committee will make its recommendations to Messrs. Case and Levin. Messrs. Parsons, Pittman and Kelly will report to Mr. Levin.

Building a New Medium for the New Millennium

Mr. Case said: "This is an historic moment in which new media has truly come of age. We've always said that America Online's mission is to make the Internet as central to people's lives as the telephone and television, and even more valuable, and this is a once-in-a-lifetime opportunity to turn this promise into reality. We're kicking off the new century with a unique new company that has unparalleled assets and the ability to have a profoundly positive impact on society. By joining forces with Time Warner, we will fundamentally change the way people get information, communicate with others, buy products and are entertained -- providing far-reaching benefits to our customers and shareholders.

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Mr. Case added: "We have tremendous respect for Jerry Levin and Time Warner management, who have built the world's pre-eminent media company and have fostered an entrepreneurial culture that will mesh well with our own. Time Warner is the first major media company to not only recognize, but also fully embrace the interactive medium. I look forward to working with them to build the most valued and respected company in the world. By mobilizing the combined creative energies and extraordinary management talent of both companies, we will bring customers around the world an unmatched array of interactive services, with enriched multi-media content and e-commerce opportunities."

Mr. Levin said: "This strategic combination with AOL accelerates the digital transformation of Time Warner by giving our creative and content businesses the widest possible canvas. The digital revolution has already begun to create unprecedented and instantaneous access to every form of media and to unleash immense possibilities for economic growth, human understanding and creative expression. AOL Time Warner will lead this transformation, improving the lives of consumers worldwide."

Mr. Levin added: "I look forward to partnering with Steve Case -- a visionary leader of the Internet - and his impressive management team. The opportunities are limitless for everyone connected to AOL Time Warner -- shareholders, consumers, advertisers, the creative and talented people who drive our success, and the global audiences we serve."

Mr. Pittman said: "The value of this merger lies not only in what it is today but in what it will be in the future. We believe that AOL Time Warner will provide companies worldwide with a convenient, one-stop way to put advertising and commerce online as well as take advantage of the best in traditional marketing. We will accelerate the development of Time Warner's cable broadband assets by bringing AOL's hallmark ease-of-use to this platform. We expect America Online to help drive the growth of cable broadband audiences, and we will use our combined infrastructure and cross-promotional strengths to enhance the growth and development of both America Online and Time Warner brands around the world."

Mr. Parsons said: "This is a defining event for Time Warner and America Online as well as a pivotal moment in the unfolding of the Internet age. By joining the resources and talents of these two highly creative companies, we can accelerate the development and deployment of a whole new generation of interactive services and content. The heightened competition and expanded choices this will bring about will be of great benefit to consumers. For the creative and innovative people who are the lifeblood of our companies, it means a truly exciting range of new opportunities to explore and give shape to. For our shareholders, it means we'll be able to grow in ways we couldn't have as separate companies, producing superior returns in both the short and long term."

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Part 2

New Marketing, Commerce, Content and Promotional Agreements

Separate from the merger transaction, America Online and Time Warner also announced new marketing, commerce, content and promotional agreements that will immediately expand various relationships already in place between the two companies. These include:

- The AOL service will feature Time Warner's popular InStyle magazine, expanding on the popular content Time Warner already offers AOL members from People, Teen People, Entertainment Weekly and other content currently on the service.
- CNN.com and Entertaimdom.com programming will be featured prominently on various America Online services.
- AOL members will have access to a wide range of Time Warner promotional music clips from Time Warner's unparalleled selection of popular artists.
- Time Warner and AOL MovieFone will participate in online-offline cross-promotion of Time Warner movies and related content, including live events.
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- Time Warner will offer a number of special offers exclusively for AOL members, which will include everything from discounts on magazine subscriptions to premium cable subscriptions and movie passes.
- Building on the companies' current offline cross-promotional activities, including keywords on popular magazines like People and Teen People, Time Warner will dramatically expand cross-promotion of AOL in a number of their top offline media properties.
- The popular Warner Bros. retail stores will promote the AOL service, including through the in-store distribution of AOL disks.
- Time Warner will include AOL disks in promotional mailings and product shipments.
- America Online will make available on Road Runner popular America Online brands and products, including AOL Instant Messenger, Digital City, AOL Search and AOL MovieFone.

The companies also said, with respect to broadband access, that AOL Time Warner will be committed to ensuring consumer choice of ISPs and content and that they hope this merger will persuade all companies operating broadband platforms to provide consumers with real choice.

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Combination Creates Full Range of Growth Opportunities

In addition to today's announcements, America Online and Time Warner will have many other opportunities to combine their assets to create unique new expanded services to drive increased consumer usage, and marketing and promotion capabilities to fuel rapid growth for their shareholders and employees. These, among others, include:

Music: The combination of Time Warner's prestigious music labels and roster of established stars and new artists with America Online's online marketing and e-commerce capacities will create powerful music destinations.

Entertainment: America Online's AOL TV and MovieFone combined with Time Warner's cable networks and Warner Bros. movies and television will provide valuable programming, cross-promotional, and e-commerce opportunities.

Broadband: AOL Time Warner's ability to offer the finest content will expand the already growing number of consumers seeking to access the Internet at high speeds via cable modem, DSL, wireless or satellite.

News: AOL Time Warner will continue to enhance its online news offering with the world's most recognized and respected news media, including CNN, Time, and local all-news channels such as NY1 News.

Technology: AOL Time Warner will be able to develop and leverage technology across all of the businesses, creating new opportunities to expand services and share infrastructure.

Telephony: For businesses and consumers, AOL Time Warner will offer a major communications platform that combines America Online's popular instant messaging products with Time Warner's ability to offer local telephony over cable.

About America Online, Inc.

Founded in 1985, America Online, Inc., based in Dulles, Virginia, is the world's leader in interactive services, Web brands, Internet technologies, and e-commerce services. America Online, Inc. operates: two worldwide Internet services, America Online, with more than 20 million members, and CompuServe, with more than 2.2 million members; several leading Internet brands including ICQ, AOL Instant Messenger and Digital City, Inc.; the Netscape Netcenter and AOL.COM portals; the Netscape Navigator and Communicator browsers; AOL MovieFone, the nation's # 1 movie listing guide and ticketing service; and Spinner Networks and NullSoft, Inc., leaders in Internet music. Through its strategic alliance with Sun Microsystems, the company develops and offers easy-to-deploy, end-to-end e-commerce and enterprise solutions for companies operating in the Net Economy.

About Time Warner Inc.

Time Warner Inc. (NYSE: TWX, www.timewarner.com) is the world's leading media company. Its businesses: cable networks, publishing, music, filmed entertainment, cable and digital media.

This release contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of

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1995. These statements are based on management's current expectations or beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The forward-looking statements in this release address the following subjects: expected date of closing the merger; future financial and operating results; and timing and benefits of the merger. The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: the risk that the America Online's and Time Warner's businesses will not be integrated successfully; costs related to the merger; failure of the America Online or Time Warner stockholders to approve the merger; inability to obtain, or meet conditions imposed for, governmental approvals for the merger; inability to further identify, develop and achieve commercial success for new products, services and technologies; increased competition and its effects on pricing, spending, third-party relationships, the subscriber base and revenues; inability to establish and maintain relationships with commerce, advertising, marketing, technology and content providers; risk of accepting warrants in certain agreements; risks of new and changing regulation in the U.S. and internationally.

For a detailed discussion of these and other cautionary statements, please refer to America Online's filings with the Securities and Exchange Commission, especially in the "Forward-Looking Statements" section of the Management's Discussion and Analysis section of the Company's Form 10-K for the fiscal year ended June 30, 1999 and the Risk Factors section of the Company's S-3 filing that became effective in November 1999, and Time Warner's filings with the Securities and Exchange Commission, including the section titled "Caution Concerning Forward-Looking Statements" of the Management's Discussion and Analysis in its Form 10-K for the year ended December 31, 1998.

SOURCE Time Warner and America Online

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01/10/2000

/NOTE TO EDITORS: An audio feed of the America Online/Time Warner press conference at 11 am EST Monday, January 10, 2000 will be available to the media by calling 888-469-1386 (US) or 712-271-0747 (international) -- Password: AOL. Webcasts of the press conference will be available at <http://www.corp.aol.com/cgi/announce.html> and <http://www.timewarner.com>. A live satellite feed will begin Monday at 6:45 am EST. At 6:45 am, logos and b-roll of both companies will be broadcast until approximately 10:45 am EST. At that time, live coverage of the press conference including the question-and-answer session will begin. After the live broadcast, the companies' logos and b-roll, as well as selected highlights of the press conference, will be re-broadcast./

/Contact: John Martin, of Time Warner Inc., 212-484-6579, John.martin@twi.com/

/Web sites: <http://www.timewarner.com>
<http://www.aol.com/>

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-> End of Note <-

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07:21am EST 10-Jan-00 Corporate Release (SARA BHATIA 703/265-2188) AOL AOL.RV
AMERICA ONLINE AND TIME WARNER WILL MERGE (PART 1)

America Online and Time Warner Will Merge to Create World's First
Internet-age Media and Communications Company

DULLES, Va. and NEW YORK--January 10, 2000--

AOL Time Warner Will Be Premier Global Company
Delivering Branded Information, Entertainment and Communications
Across Rapidly Converging Media Platforms and Changing Technology

Will Provide Far-Reaching Benefits to Consumers
By Speeding Growth of Interactive Medium

Will Accelerate Availability of Broadband Interactive Services
Offering Vast Array of World-Class Content

Will Drive Growth of Advertising and E-Commerce
Across Unmatched Combination of Leading Brands

Companies Also Announce New Marketing,
Commerce, Content and Promotional Agreements

America Online, Inc. (NYSE:AOL) and Time Warner Inc. (NYSE:TWX)
today announced a strategic merger of equals to create the world's
first fully integrated media and communications company for the
Internet Century in an all-stock combination valued at \$350 billion.

To be named AOL Time Warner Inc. with combined revenues of over
\$30 billion, this unique new enterprise will be the premier global
company delivering branded information, entertainment and
communications services across rapidly converging media platforms.

The merger will combine Time Warner's vast array of world-class
media, entertainment and news brands and its technologically advanced
broadband delivery systems with America Online's extensive Internet
franchises, technology and infrastructure, including the world's
premier consumer online brands, the largest community in cyberspace,
and unmatched e-commerce capabilities. AOL Time Warner's unparalleled
resources of creative and journalistic talent, technology assets and
expertise, and management experience will enable the new company to
dramatically enhance consumers' access to the broadest selection of
high-quality content and interactive services.

By merging the world's leading Internet and media companies, AOL
Time Warner will be uniquely positioned to speed the development of
the interactive medium and the growth of all its businesses. The new
company will provide an important new broadband distribution platform
for America Online's interactive services and drive subscriber growth
through cross-marketing with Time Warner's pre-eminent brands.

AOL Time Warner's brands will include AOL, Time, CNN, CompuServe,
Warner Bros., Netscape, Sports Illustrated, People, HBO, ICQ, AOL
Instant Messenger, AOL MovieFone, TBS, TNT, Cartoon Network, Digital
City, Warner Music Group, Spinner, Winamp, Fortune, AOL.COM,
Entertainment Weekly, and Looney Tunes. In addition to fully
integrating its brands into a digital environment and bringing them

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closer to consumers, AOL Time Warner will have a wealth of creative resources to develop products specifically suited to interactive media.

Under the terms of a definitive merger agreement approved by unanimous votes at meetings of each company's board of directors, Time Warner and America Online stock will be converted to AOL Time Warner stock at fixed exchange ratios. The Time Warner shareholders will receive 1.5 shares of AOL Time Warner for each share of Time Warner stock they own. America Online shareholders will receive one share of AOL Time Warner stock for each share of America Online stock they own. The merger will be effected on a tax-free basis to shareholders. When complete, America Online's shareholders will own approximately 55% and Time Warner's shareholders will own approximately 45% of the new company. The stock will be traded under the symbol AOL on the New York Stock Exchange.

The merger will be accounted for as a purchase transaction and is expected to be accretive to America Online's cash earnings per share before the amortization of goodwill. This transaction is subject to certain closing conditions, including regulatory approvals and the approval of America Online and Time Warner shareholders, and is expected to close by the end of the year. Mr. Ted Turner, Vice Chairman of Time Warner, has agreed to vote his Time Warner shares, representing approximately 9% of the company's outstanding common stock, in favor of the merger.

Steve Case, Chairman and Chief Executive Officer of America Online, will become Chairman of the Board of the new company. Gerald M. Levin, Time Warner's Chairman and Chief Executive Officer, will become AOL Time Warner's Chief Executive Officer. As Chairman, Mr. Case will play an active role in helping to build and lead AOL Time Warner, focusing particularly on the technological developments and policy initiatives driving the global expansion of the interactive medium. As Chief Executive Officer, Mr. Levin will set the company's strategy, working closely with Mr. Case, and will oversee the management of the company. Mr. Levin will report to the board consisting of 16 members, with eight appointed by each of the current America Online and Time Warner boards.

Mr. Turner will become Vice Chairman of AOL Time Warner. Time Warner President Richard Parsons and America Online President and Chief Operating Officer Bob Pittman will be co-Chief Operating Officers of AOL Time Warner. J. Michael Kelly, Senior Vice President and Chief Financial Officer of America Online, will become the new company's Chief Financial Officer and Executive Vice President. A four-person integration committee, composed of Messrs. Pittman; Parsons; Kenneth J. Novack, America Online's Vice Chairman; and Richard Bressler, Chairman and Chief Executive Officer of Time Warner Digital Media, has been formed to ensure a smooth and rapid combination of the two companies. The Committee will make its recommendations to Messrs. Case and Levin. Messrs. Parsons, Pittman and Kelly will report to Mr. Levin.

Building a New Medium for the New Millennium

Mr. Case said: "This is an historic moment in which new media has truly come of age. We've always said that America Online's mission is to make the Internet as central to people's lives as the telephone and

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television, and even more valuable, and this is a once-in-a-lifetime opportunity to turn this promise into reality. We're kicking off the new century with a unique new company that has unparalleled assets and the ability to have a profoundly positive impact on society. By joining forces with Time Warner, we will fundamentally change the way people get information, communicate with others, buy products and are entertained - providing far-reaching benefits to our customers and shareholders.

Mr. Case added: "We have tremendous respect for Jerry Levin and Time Warner management, who have built the world's pre-eminent media company and have fostered an entrepreneurial culture that will mesh well with our own. Time Warner is the first major media company to not only recognize, but also fully embrace the interactive medium. I look forward to working with them to build the most valued and respected company in the world. By mobilizing the combined creative energies and extraordinary management talent of both companies, we will bring customers around the world an unmatched array of interactive services, with enriched multi-media content and e-commerce opportunities."

Mr. Levin said: "This strategic combination with AOL accelerates the digital transformation of Time Warner by giving our creative and content businesses the widest possible canvas. The digital revolution has already begun to create unprecedented and instantaneous access to every form of media and to unleash immense possibilities for economic growth, human understanding and creative expression. AOL Time Warner will lead this transformation, improving the lives of consumers worldwide."

Mr. Levin added: "I look forward to partnering with Steve Case - a visionary leader of the Internet - and his impressive management team. The opportunities are limitless for everyone connected to AOL Time Warner - shareholders, consumers, advertisers, the creative and talented people who drive our success, and the global audiences we serve."

Mr. Pittman said: "The value of this merger lies not only in what it is today but in what it will be in the future. We believe that AOL Time Warner will provide companies worldwide with a convenient, one-stop way to put advertising and commerce online as well as take advantage of the best in traditional marketing. We will accelerate the development of Time Warner's cable broadband assets by bringing AOL's hallmark ease-of-use to this platform. We expect America Online to help drive the growth of cable broadband audiences, and we will use our combined infrastructure and cross-promotional strengths to enhance the growth and development of both America Online and Time Warner brands around the world."

Mr. Parsons said: "This is a defining event for Time Warner and America Online as well as a pivotal moment in the unfolding of the Internet age. By joining the resources and talents of these two highly creative companies, we can accelerate the development and deployment of a whole new generation of interactive services and content. The heightened competition and expanded choices this will bring about will be of great benefit to consumers. For the creative and innovative people who are the lifeblood of our companies, it means a truly exciting range of new opportunities to explore and give shape to. For our shareholders, it means we'll be able to grow in ways we couldn't have as separate companies, producing superior returns in both the short and long term."

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07:22am EST 10-Jan-00 Corporate Release (SARA BHATIA 703/265-2188) AOL AOL.RV
AMERICA ONLINE AND TIME WARNER WILL MERGE (PART 2)

New Marketing, Commerce, Content and Promotional Agreements

Separate from the merger transaction, America Online and Time Warner also announced new marketing, commerce, content and promotional agreements that will immediately expand various relationships already in place between the two companies. These include:

- The AOL service will feature Time Warner's popular InStyle magazine, expanding on the popular content Time Warner already offers AOL members from People, Teen People, Entertainment Weekly and other content currently on the service.
- CNN.com and Entertaindom.com programming will be featured prominently on various America Online services.
- AOL members will have access to a wide range of Time Warner promotional music clips from Time Warner's unparalleled selection of popular artists.
- Time Warner and AOL MovieFone will participate in online-offline cross-promotion of Time Warner movies and related content, including live events.
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